Supreme Court, U.S.
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No._____

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1997

TT TELEFILM, GmbH, & Co.,

Petitioner

v.

THE MOVIE GROUP, INC., and

INTERNATIONAL MOVIE GROUP, INC.,

Respondents

Petition for Writ of Certiorari to the Supreme Court of the State of California

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PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I. Whether section 204(a) of the Copyright Act, 17 U.S.C. §204(a), which invalidates oral transfers of exclusive rights in copyrighted works, precludes a party who claims to have acquired an exclusive right to a copyrighted work by oral transfer from enforcing a subsequent contract to transfer that exclusive right to a third party or whether such a contract is enforceable as the California State Courts below held?

II. Whether under prior rulings of this Court unclear State procedural practices can be invoked to support a holding that a civil defendant has waived important Federal defenses to a claim?

PARTIES TO THE PROCEEDING

TT Telefilm, GmbH & Co., Defendant/Petitioner
The Movie Group, Inc., Plaintiff/Respondent
International Movie Group, Inc., Plaintiff/Respondent

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PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

This petition seeks review of the September 17, 1997 denial of a petition for review by the California Supreme Court (unpublished)(App.1a) which denied review of the June 27, 1997 decision issued by the Second Appellate Division of the California Court of Appeal (App. 3a)(unpublished), which affirmed the December 1, 1995 Statement of Decision of the California Superior Court for Los Angeles County (App. 19a).

STATEMENT OF JURISDICTION

In seeking review of the above-referenced denial of a petition for review by the California Supreme Court which denied review of the decision of the California Court of Appeal, petitioner invokes certiorari jurisdiction conferred on this Court by 28 U.S.C. §1257.

STATUTES INVOLVED

Section 204(a) of the Copyright Act, 17 U.S.C. §204(a), provides in relevant part:

> **(a)** A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

INTRODUCTION

Section 204(a) of the Copyright Act establishes a simple but fundamental rule - title to an exclusive right in a copyrighted work can only be transferred by a writing signed by the grantor or its agent. In the instant action, the state courts of California enforced two motion picture license agreements in favor of a licensor which admitted at trial that it had not obtained title by a signed written instrument. Furthermore, the parties to the chain of title preceding one of the license agreements admitted in sworn testimony in foreign proceedings that the rights that the licensor purported to transfer to Petitioner had never been transferred to the licensor. The state courts below

refused to consider Petitioner's challenge to the licensor's title on the sole ground that the issue had not been raised as a separate affirmative defense in Petitioner's answer to the complaint. The courts below thereby subordinated substantive, Federal, statutory rights to unclear state procedural rules. The issue of title to copyrighted works is one which arises frequently in copyright actions and in contract actions relative to copyrighted works. This Court should grant *certiorari* to establish clearly the standards which apply to section 204(a) writings and the procedural limitations which courts can impose on a litigant's right to raise a Federal issue.

STATEMENT OF CASE

Petitioner, TT Telefilm, GmbH & Co. ("TT Telefilm"), is a German entity which is in the business of licensing motion pictures to television stations and others in the German speaking territories of Europe. Respondents, The Movie Group, Inc., and International Movie Group, Inc., (collectively "TMG"), are U.S. based corporations engaged in the business of licensing motion pictures to entities such as TT Telefilm. (App. 4a)

This case arises out of two written exclusive licenses from TMG to TT Telefilm, executed in 1990 and 1991, for the distribution of motion pictures in identified German-speaking territories in Europe.[1] (App. 4a-5a).

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[1] These motion pictures were copyrighted in the United States. Both licenses were executed in California and stipulated that California law would apply.

Various disputes regarding film quality, delivery schedules, and payment developed during 1991-92. (App. 6a) This contract action was filed in Los Angeles County Superior Court in late 1992.

With respect to the first license agreement in issue, known as the Four Film Agreement, in 1989, prior to contracting with TT Telefilm ,TMG entered into a written exclusive, long-term license for the same films to VCL/Virgin Communications GmbH ("VCL") one of TT Telefilm's competitors in Germany. (App. 4a) In 1989, VCL in turn, exclusively sublicensed at least two of the same films in the same territory to another German company, Capitol Film & TV International GmbH ("Capitol").

Peter Strauss, President of TMG and TMG's only witness, admitted at trial that TMG had recovered the movie rights from VCL solely by virtue of an oral agreement. (App. 5a) No written agreement for the return of such rights by VCL to TMG was ever produced or claimed. This purported oral agreement was the only basis for TMG's claim that TMG had the right to enter into the Four Film Agreement with TT Telefilm. The validity of this claim is a critical focus of the instant Petition.

Moreover, TMG did not attempt to introduce any evidence at trial which demonstrated that VCL ever recovered the film rights from its sublicensee, Capitol. This was a second vital omission which concealed the facts that Capitol had never at any time since 1989 agreed to retransfer the film rights to VCL and that VCL in turn

had never at any time since 1989 agreed to retransfer them to TMG. These facts are conclusively established in sworn statements of TMG, VCL, and Capitol filed in German court proceedings in 1993 which TT Telefilm discovered only shortly before the trial of the instant action. In other words, an actual fraud was perpetrated upon TT Telefilm in the making of the Four Film Agreement and upon the California courts in enforcing the Agreement.

The California courts refused to consider the Copyright Act's application to the asserted oral agreement and also refused to consider or to permit discovery concerning the admissions of absence of title. (App. 8a-9a) The subsequent judgment, which enforced the exclusive licenses of films to which the licensor TMG admittedly lacked title, worked a manifest injustice upon TT Telefilm. This injustice is a direct consequence of the trial court ignoring the mandate of the Copyright Act that the rights claimed by a licensor such as TMG must be in writing and signed by the grantors - here VCL and Capitol.

The details of this actual fraud are as follows: In 1993, after TMG terminated the Four Film Agreement, VCL and TMG brought the equivalent of an *ex parte* temporary restraining order proceeding in Germany against a broadcaster who had been sublicensed by TT Telefilm before the termination of the Four Film Agreement to broadcast of one of the films, "Bed and Breakfast." Mr. Ruth, VCL's principal, submitted a sworn statement to the German court that Capitol had

acquired exclusive the rights from VCL, and that VCL had never recovered them from Capitol. Mr. Strauss, TMG's principal, also submitted a sworn statement supporting the German action. In a 1995 sworn statement to Police Department West, Hamburg, Germany, Criminal Investigative Division, Mr. von Halem, Capitol's principal, confirmed that Capitol had never, from 1989 through at least 1995, returned the film rights to VCL. (App.7a-8a)

The German restraining order was served the day before the scheduled broadcast, and the broadcaster was therefore forced immediately to settle with VCL. VCL then withdrew the action, which had the effect under German law of sealing the court files. Consequently, in 1993, TT Telefilm, which was not a party in that action, was not aware of the admissions contained in the filings.[2] It was not until the summer of 1995, just before commencement of trial herein, that these filings were obtained by TT Telefilm from a German prosecutor who was investigating VCL. Thus, in 1995, it became clear to TT Telefilm that TMG knew it had never reacquired title to these copyrighted works but had still deliberately entered the Four Film Agreement with TT Telefilm.

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[2]TMG, on the other hand, knew of the German court proceeding because it was a plaintiff in that case, but TMG failed to disclose information or produce documents regarding it during discovery even though such matter was within the scope of TT Telefilm's general discovery requests.

The instant law suit was filed in late 1992, and TT Telefilm filed its answer in early 1993. The complaint alleged, as it must, that TMG had fulfilled all of its contractual obligations to TT Telefilm and that TT Telefilm had breached the contracts by not paying the contract price. Under the contracts, TMG had three obligations: (1) to convey good title; (2) to deliver films of proper technical quality; and (3) to deliver the films by certain specified dates. TT Telefilm's answer was a general denial of the allegations of the complaint; this had the effect of putting in issue all of the claims in the complaint.

TT Telefilm did not raise the oral contract issue and the resulting invalidity of the contracts as a defense in the answer because at that time it had no knowledge of the facts. TT Telefilm did not obtain the evidence concerning this actual fraud until shortly before trial.

At trial, TMG alleged that it had relied on an oral agreement with VCL to recover the rights to the films licensed to TT Telefilm, and it admitted that it had not recovered the exclusive rights to the films in a writing. (App. 5a) This fact alone should have been sufficient to defeat its contract claims at trial under the written agreement mandate of the Copyright Act.

Moreover, at trial no writing could have been produced because TMG in fact never recovered the rights from VCL, and VCL never recovered them from Capitol. This was no technicality; TMG knew or should have known it had not obtained the rights, and it repeatedly

committed actual fraud by making diametrically opposing representations on the subject of ownership in different court proceedings.

At trial, TT Telefilm repeatedly attempted to raise the oral contract issue and the issue that previously TMG had exclusively licensed at least two of these same films to a competitor of TT Telefilm and had never recovered the exclusive rights before purporting to license them to TT Telefilm. Accordingly, TT Telefilm sought to establish at trial that TMG did not perform, and could not have performed, its essential obligation under the contracts for which it was seeking damages in this action. Without a valid transfer of such exclusive rights, TT Telefilm could not legally conduct its normal business of sublicensing such films to television stations and other exhibitors. During the trial, TT Telefilm moved for a continuance to conduct discovery concerning the contrary admissions and evidence in the German proceedings, and moved for dismissal of TMG's causes of action for failure to demonstrate performance (transfer to TT Telefilm of good title) under the Copyright Act. These motions were denied. (App. 8a)

In its December 1, 1995 Statement of Decision,, the Superior Court held that the Four Film Agreement was valid and had been breached by TT Telefilm. The Superior Court did not consider or rule upon the issues of title, and awarded TMG damages of over $300,000 for breach of the Four Film Agreement by TT Telefilm, by reason of

partial nonpayment of the license fees. (App. 34a)[3] The Superior Court refused to consider the issues of title even though passage of title was the primary purpose of the license agreements. The Superior Court excluded these issues on the grounds that they had not been pleaded in TT Telefilm's Answer or raised in the Final Pretrial Order.(App. 8a).

A similar pattern of purported oral agreements and actual fraud existed with respect to a second exclusive license between the parties, referred to as the Romantic Comedies II Contract ("RC 2 Contract"). In the RC2 Contract, TMG purported to license to TT Telefilm the exclusive rights to six additional films in the same German-speaking territories. TT Telefilm did not discover until after the close of discovery and the Final Pre-Trial Order that TMG never in fact obtained from the producer, Chrysalide Films, societe francais ("Chrysalide"), in writing or otherwise, certain rights which TMG purported to grant to TT Telefilm in the RC2 Contract. (App. 7a-8a)

First, TMG's principal, Mr. Strauss, admitted at trial that TMG had not entered into any contract with Chrysalide to acquire the rights to any of the six RC2 films at the time that TMG executed the RC2 Contract with TT Telefilm. Second, Mr. Strauss also admitted that none of the six films was even in existence at the time the RC2 Contract was entered with TT Telefilm. Indeed, he

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[3]It also allowed TMG to retain over $440,000 which had already been paid by TT Telefilm under the Four Film Agreement.

admitted that none of the films existed even later when TMG finally entered into a license agreement with the producer, Chrysalide. Third, the belated license agreement between Chrysalide and TMG licensed only five films, not six as provided in the RC2 contract with TT Telefilm. According to TMG, its rights to the sixth film were acquired by oral agreement. Finally, the RC2 Contract included Luxembourg in its exclusive territory, a country which TT Telefilm's principal was prepared to testify was a broadcast site which was vital to acquiring and marketing exclusive German-speaking rights. However, the TMG - Chrysalide contract by its terms reserved Luxembourg to Chrysalide.

In its Statement of Decision, the trial court enforced the RC2 contract and awarded TMG $850,000 in damages. (App. 34a) Here too, the trial court denied TT Telefilm's motions and refused to explore the copyright issues. It is a manifest injustice to permit TMG to recover a total of $850,000 plus attorneys fees from TT Telefilm and to retain $350,000 already paid by TT Telefilm on the RC2 Contract when TMG did not own, never delivered, and could never deliver to TT Telefilm all of the rights contracted for in the RC2 Contract.

On June 27, 1997, the Court of Appeal affirmed the Judgment of the Superior Court. (App. 3a-18a) On July 11, 1997, TT Telefilm filed a Petition for Rehearing with the Court of Appeal. On July 15, 1997, the Court of Appeal denied TT Telefilm's Petition for Rehearing. (App. 2a). TT Telefilm then timely filed a Petition for Review

with the California Supreme Court which denied that Petition by Order dated September 17, 1997. (App. 1a).

REASONS FOR GRANTING THE WRIT

I. This Court should resolve the issue of whether Section 204 (a) of the Copyright Act, 17 U.S.C. §204(a), which invalidates oral transfers of exclusive rights in copyrighted works, precludes a party who claims to have acquired an exclusive right to a copyrighted work by oral transfer from enforcing a subsequent contract to transfer that exclusive right to a third party or whether such contracts are enforceable as the California State Courts below have held.

The starting point in any discussion regarding conveyance of title to an exclusive right in a copyrighted work is that the instrument of conveyance must be in writing and must be signed by the grantor or its agent. Section 204(a) of the Copyright Act provides:

> A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

All of the various federal courts that have considered section 204(a) have uniformly held that a

transfer of an exclusive right must be in writing.[4] While several courts have held that oral transfers can be retroactively validated[5] and there is also a dispute about the extraterritorial application of U.S. copyright laws,[6] the law is clear that a transfer of an exclusive right in a U.S. copyright which is not in writing is not valid.

Thus, for example, in *Effects Associates v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990), the Ninth Circuit, construing section 204(a), stated:

> The law couldn't be clearer: the copyright owner of 'a motion picture or other audio visual work' has the exclusive rights to copy, distribute or display the copyrighted work publicly. 17 U.S.C. § 106 (1988). While the copyright owner can sell or license his rights to someone else, Section 204 of the Copyright Act invalidates a purported transfer of ownership unless it is in writing. 17 U.S.C. § 204(a) (1988).

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[4] *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749 (11th Cir. 1997); *Bateman v. Mnemonics, Inc.*, 79 F.3d 768 (11th Cir. 1997); *I.A.E., Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996); *Playboy Enterprises v. Dumas*, 53 F.3d 549 (2d Cir. 1995); *Konigsberg International, Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994); *Saxon v. Blann*, 968 F.2d 676 (8th Cir. 1992); *Effects Associates v. Cohen*, 908 F.2d 555 (9th Cir. 1990); *Valente-Kritzer v. Pinckney*, 881 F.2d 772 (9th Cir. 1989).

[5] *Imperial Residential Design, Inc. v. Palm Development, Inc.*, 70 F.3d 96 (11th Cir. 1995); *Eden Toys, Inc. v. Floralee Undergarments Co. Inc.*, 697 F.2d 27 (2d Cir. 1982); *but see Konigsberg, supra.*

[6] *Subafilms, Ltd. v. MGM-Pathe Communications*, 24 F.3d 1058 (9th Cir. 1994); *compare Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67 (2d Cir. 1988).

* * * * *

> Section 204's writing requirement is not unduly burdensome; it necessitates neither protracted negotiations nor substantial expense. The rule is really quite simple: if the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be the Magna Charta; a one line pro forma statement will do.

The Four Film Agreement and the RC2 Contract each specified that California law applied[7] and warranted TMG's good title to the works in question. Thus, in order to transfer an exclusive copyright interest to TT Telefilm, TMG was obligated in connection with the Four Film Agreement to recover title to the works in question by an assignment of rights in writing from VCL which in turn had to recover them from its sublicensee, Capitol. The contract between TMG and VCL had granted an exclusive license to VCL in Germany with respect to each of these four pictures. TMG tried to recover that license back from VCL so that it could sell the television rights in Germany to TT Telefilm. However, any agreement which might have been reached (and the evidence is strong that no agreement, not even an oral one, was ever reached) was admittedly not reduced to writing as required by Section

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[7] Of course, since the Copyright Act preempts state law, *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), that Act would govern all copyright issues.

show that the prior sublicensee in Germany, Capitol, ever returned its rights to VCL either verbally or in writing. Therefore, TMG could not convey an exclusive license, or any license for that matter, to TT Telefilm.

In the case of the RC2 Contract, TMG licensed six films to TT Telefilm at a time when it had no rights and no copyrights even existed. Aside from the questions related to the scope of the license (i.e. the non-ownership of rights by TMG at the time of entering the RC2 Contract, five vs. six films, and the absence of rights in Luxembourg), this raises the issues of whether a license can be validated by a subsequent acquisition of rights and whether it is even possible to sell rights to a copyrighted work which does not yet exist.[8]

Thus, if this case had been decided on the basis of clear and unambiguous Federal statutory law, the California courts would have been required to resolve the dispute in favor of TT Telefilm. The only reason given for this refusal to apply Federal law is that the issue was waived because it was not specifically raised in the pleadings as a separate affirmative defense. (App. 9a).

II. Under prior rulings of this Court, unclear State procedural practices cannot be invoked to support a holding that a civil defendant has waived important federal defenses to a claim.

[8]Under sections 101 (definition of "created"), 102 and 302 of the Copyright Act, 17 U.S.C.§§ 101, 102, 302, a copyright is created when a work is "fixed" in a "tangible medium of expression." This raises the question, also raised below, of whether it is possible to transfer an exclusive copyright license in a copyright which does not exist.

As mentioned, the California Court of Appeal refused to consider the issue of the validity of the contract under section 204(a). This refusal was based on a claim that TT Telefilm had waived its rights to assert these claims by not having timely raised them as a separate affirmative defense in the pleadings. (App. 9a).

The appellate court's reasoning was that the issue of whether title had been properly conveyed is an issue of failure of consideration and that failure of consideration is an affirmative defense which must be raised in the answer or waived. Aside from the difficulty of asserting such a defense before discovery of the facts, TT Telefilm contended below that this issue was included within the scope of its general denial. TT Telefilm also pointed out to the California Supreme Court that there is a conflict among the various intermediate California appellate courts and scholars on the question of whether failure of consideration is an affirmative defense, or whether showing fulfillment of contractual obligations is part of the plaintiff's burden of proof.

California law on this issue is best described as confused and confusing. Section 1439 of the California Civil Code provides:

> Before any party to an obligation can require another party to perform any act under it, he must fulfill all conditions precedent thereto imposed upon himself; and must be able and offer to fulfill all conditions concurrent so imposed upon him on the like fulfillment by the other party . .

Section 1550 of the California Civil Code provides:

> It is essential to the existence of a contract that there should be . . .
>
> 4. A sufficient cause or consideration.

A party to a contract "must be free from substantial default in order to avail himself of the remedies" in an action for breach of contract, 1 B.E. Witkin, *Summary of California Law*, § 796 (Contracts) (9th Ed. 1987 & Supp.), and must allege ***and*** prove fulfillment of all contractual requirements or plead excuse for non-compliance. *Bayly v.* Lee, 174 Cal. 137, 139, 162 P. 96 (1916) (plaintiff must do what he is contractually obligated to do before he can maintain an action against adverse party); *Cameron v. Burnham,* 146 Cal. 580, 89 P. 928 (1905); *Fogarty v. Saathoff,* 128 Cal. App. 3d 780, 785; 180 Cal. Rptr. 484 (1982) (a party to a contract cannot "place the other in default unless he is able to perform or tender performance").[9] And, the question of a seller's title to the object which is the subject of the sale is a legitimate subject of inquiry in any action brought by the seller for breach of contract with respect to the sale thereof. *Benson v. Shotwell,* 87 Cal. 49, 25 P. 249 (1890); *Wisniewski v. Morris,* 227 Cal. App.2d 580, 38 Cal.Rptr. 815 (1964).

TMG alleged in the Amended Complaint that it had performed all things required of it under the licenses.

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[9]See also, *Dawn v. Superior Court,* 228 Cal. App. 2d 283, 39 Cal. Rptr. 443(1964); *Pry Corp. v. Leach,* 170 Cal. App. 2d 632, 2 Cal. Rptr. 425 (1960); *Kossler v. Palm Springs Developments, Ltd.,* 101 Cal. App. 3d 88, 99, 161 Cal. Rptr. 423 (1980); *Brant v. Bigler,* 92 Cal. App. 2d 730, 208 P.2d 47 (1949)

This, of course, included the obligation to transfer to TT Telefilm good title to the rights assigned in the licenses which is the very essence of a motion picture license. TT Telefilm, in its answer, generally denied these allegations and thereby put TMG to the proof required of plaintiffs by law. Nothing further was required.

This was in accord with the California Code of Civil Procedure, commentary, and decisions in at least the Third and Fourth California Appellate Districts. Section 431.30(b), Cal. Code Civ. Proc., states that:

> The Answer to a complaint shall contain:
>
> (1) The general or specific denial of the material allegations of the complaint controverted by the defendant.
>
> (2) A statement of any new matter constituting a defense.

"New matter" is, in essence, any ground urged by defendant in *avoidance* of the complaint, that is, some independent reason why the plaintiff should not recover, even if everything alleged in the complaint is true. *Carranza v. Noroian*, 240 Cal.App. 2d 481, 485-86, 49 Cal.Rptr. 629, 632-33 (1966); *FPI Development, Inc. v. Nakashima,* 231 Cal. App. 3d 367, 383-84, 282 Cal.Rptr. 508, 527 (1991); *see* Weil and Brown, California Practice Guide: *Civil Procedure before Trial* (TRG 1997) Section 6:430, p. 6-86. Weil and Brown state:

> But failure of conditions (non-performance or defective performance) is not "new matter"...because plaintiff bears the burden of pleading and proving performance in a

> contract action. Hence, simple lack of performance is in issue under a simple denial of plaintiff's allegation of "performance" in the complaint.

Thus, a general denial puts in issue the question of whether there is a *failure of consideration* (failure to execute the bargained for promise). *FPI Development, Inc. v. Nakashima*, 231 Cal App. 3d. at 383. Weil and Brown, *supra*, *Civil Procedure before Trial* (TRG 1997) Section 6:440, p. 6-88.

In *FPI Development,* an appeal of a summary judgment motion in an action on a promissory note, the California Third Appellate District ruled that the defendant's "general denial had put in issue the material allegations of the complaint." *Id.* At 393 It noted that, "[w]hat is put in issue by the denial is limited to the allegations of the complaint", and it held that "[i]f there is a triable issue of fact as to matters put in issue by the general denial, defendants are entitled to reversal of the summary judgment."*Id.* At 385.[10]

Similarly, in *Rancho Santa Fe Pharmacy, Inc. v. Seyfert*, 219 Cal.App. 3d 875, 368 Cal.Rptr. 505 (1990), the California Fourth Appellate District held that the submission of a written guarantee by a plaintiff suing on a note triggered the presumption of consideration set forth in Sections 1614 and 1615 of the Civil Code. The court held that, pursuant to these Sections, and Sections 601-605 of the Evidence Code, this presumption related to a

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[10]*See also, Rodenberry v. Rodenberry,* 44 Cal. App. 4th 634, 654, 51 Cal. Rptr. 2d 907 (1996) ("basic rule is that a party must prove what the party must plead.")

burden of producing evidence as to consideration for the guarantee, but it did not shift the burden of proof on the issue of consideration for the guarantee which always rests on the plaintiff. Thus, once the plaintiff produced a written instrument, the presumption of consideration came into play, but when

> ...the party against whom the presumption operates produces some quantum of evidence casting doubt on the truth of the presumed fact, the other party is no longer aided by the presumption. The presumption disappears leaving it to the party in whose favor it initially worked to prove the fact in question.

219 Cal.App. 3d at 882; 368 Cal.Rptr. at 509.

Thus, under one line of California cases and interpretation of California procedural rules, TT Telefilm's general denial of TMG's allegation of due performance in the instant case was sufficient to put the title questions into issue since the transfer of title in the exclusive license was the essence of the "performance." Characterizing this non-performance as a "failure of consideration" does not change the issues or the burdens.

However, the trial court flatly refused to consider any of the title issues. It ruled that since they weren't specifically asserted in the original Answer or the Final Pretrial Order, they could not be addressed. The trial court thereby deprived TT Telefilm of the right to introduce the "quantum of evidence" of non-performance which would defeat the presumption of consideration in a written instrument. More importantly, TT Telefilm was

deprived of the opportunity to establish that a fraud was being perpetrated it and upon the court and that it was being required to pay very substantial amounts of money for movie rights which TMG did not and could never have transferred to TT Telefilm.

The Court of Appeal affirmed the lower court's decision in reliance upon a conflicting line of authority:

> Failure of consideration, which is apparently what appellant is arguing, is an affirmative defense which should have been raised in the pleadings. (*Williams v. Kinsey* (1946) 74 Cal.App.2d 583, 603; *Niederer v. Ferreira* (1983) 150 Cal.App.3d 219, 224.) The trial court has broad discretion to refuse to allow the introduction of new legal theories into a trial by either a plaintiff or a defendant, where it would prejudice the other party to do so. (*Trafton v. Youngblod* (1968) 69 Cal.2d 17, 31-32; *City of Stanton v. Cox* (1989) 207 Cal.App.3d 1557, 1563.)

(App. 9a).[11] *Williams, supra*, follows *Pastene v. Pardini,* 135 Cal. 431, 67 P. 681 (1902), as do such Second Appellate District cases as *Elster's Sales v. Longo,* 4 Cal. App.3d 216, 84 Cal. Rptr 83 (1970), and *Fairlane Estates, Inc. v. Carrico Construction Co.*, 228 Cal. App. 2d 65, 39 Cal. Rptr. 35 (1964). (lack of consideration for a written contract is not available as a defense unless specially

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[11]The appellate court speculated that TT Telefilm was not harmed by this breach of contract on the part of TMG. (App. a9). However, as the primary purpose of the conracts was to pass title to the films, TMG's lack of title totally vitiates them.

pleaded). Thus, the sole justification for exclusion of title issues was their characterization as affirmative defenses.

This raises the important question of whether a defendant in a state civil trial can be held to have waived an overriding, substantive, statutory, Federal right by virtue of non-compliance with conflicting and confusing state procedural practices. In other words, should a state court be allowed to decide a case based on a preference for State procedural rules over a substantive Federal law, a preference for court rules over explicit statutory law, and a preference for procedure over substance.

It is beyond dispute that a litigant must raise objections and issues at trial or waive them, and that parties to both civil and criminal proceedings may knowingly waive rights granted to them by federal or state statutes or constitutions. *Yakus v. U.S.*, 321 U.S. 444(1944); *Freytag v. Commissioner of Internal Revenue,* 501 U.S. 868, 878(1991)(generally, a litigant must raise issues and objections at trial).[12] However, on many occasions this Court has held that such waivers must be knowing and intentional (e.g. those made for

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[12] In *Murray v. Carrier,* 477 U.S. 478, 488 (1986), this Court noted that an inadvertent waiver of a right which occurred because facts necessary to raise the objection were not reasonably available to counsel would constitute cause for a grant of habeas relief. And, in *Johnson v. Zerbst,* 304 U.S. 458 (1938), the Court held that to be effective a waiver must be of a known right or privilege. In the instant case, counsel who formulated the answer could not have known at that time that TMG had obtained the rights transferred to TT Telefilm by oral transfer. This was not learned until nine months later, and thus the facts were not reasonably known to TT Telefilm at the time that the court of appeal said the issue needed to be raised.

tactical reasons) and not inadvertent. *Fay v. Noia*, 372 U.S. 391 (1963); *Brookhart v. Janis*, 384 U.S. 1, 4 (1966) ("there is a presumption against the waiver of constitutional rights...and for a waiver to be effective it must be clearly established that 'there was an intentional relinquishment or abandonment of a known right or privilege.'"); *Pence v. Langdon,* 99 U.S. 578, 581 (1878) ("Acquiescence and waiver are always questions of fact."). Such holdings are most common in the criminal law sphere, *Fay, supra, Brookhart, supra,* but they have been extended into the area of civil litigation as well. *Curtis Publishing Co. v. Butts,* 388 U.S. 130 (1967);[13] *Head v. New Mexico Board of Examiners,* 374 U.S. 424 (1963) (failure to raise argument in lower courts will result in a waiver).

While most cases involve waiver of constitutional rights, there is no reason why these considerations do not apply to rights granted by federal statute. *Bybee v. Oregon & California Railroad Co.,* 139 U.S. 663, 681 (1891). (railroad that received title to land by Act of Congress is not estopped to assert that right by fact that it paid third party for an easement over the land.) This is particularly true of copyright law. This Court has held that in the Copyright Act of 1976 Congress occupied the

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[13]In *Curtis* no constitutional defense along the lines of *New York Times v. Sullivan*, 376 U.S. 254 (1965), was made at trial even though counsel knew that the issue was pending in this Court. The Fifth Circuit held that the constitutional issue had been waived for this reason. This Court held that there was no prejudice to the plaintiff from the failure to raise the constitutional issue at trial because it was raised on appeal. Here, of course, the issue of the applicability of section 204(a) was raised at trial.

entire area and preempted any state action regarding copyrights. *Community for Creative Non-Violence v. Reid,* 490 U.S. 730 (1989).

Thus, it is clear that this is an area in which Congress has used its powers under the Constitution to preempt the entire area, and its law reigns supreme. In connection with the passage of title to exclusive rights in copyrighted works, Congress has decreed that such rights may be transferred only by a written instrument signed by the grantor. The purpose of this preemption is to prevent fraud and promote uniformity of law throughout the United States. When local practices of the various states prevent application of the provisions of section 204 to specific transactions those rules interfere with the Congressional plan of intent and frustrates the uniform application of the law. While the rights that a litigant has under section 204 can knowingly be waived, the national interest is clear that there should not be situations under state law where this protection is waived inadvertently because state procedural rules are less than clear.

This is exactly what happened here. In this case, various California courts and scholars have reached different conclusions about whether the issue of lack of title in a contract to convey title is an affirmative defense as the courts below held or an affirmative obligation of proof for the plaintiff.[14] It is particularly unfair to have such a pleading rule when the information on this issue

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[14]This Court has held that in copyright infringement cases the issue of ownership is always part of the plaintiff's burden of proof. *Feist Publications, Inc. v. Rural Telephone Service Co.,* 499 U.S. 340 (1991).

is totally in the hands of the plaintiff and the defendant is unaware of the title problem at the time it files its answer.[15] TT Telefilm through no fault of its own was caught in this confusion and was held to have sacrificed this right without any forewarning.

Consequently, petitioner submits that this Court should hold that such federal rights may not be waived by inadvertence but only pursuant to clear rules and practices.

CONCLUSION

For the reasons stated herein, it is respectfully requested that this Court grant Respondent TT Telefilm's Petition for a Writ of Certiorari.

Respectfully submitted,

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[15] "There can be no irrevocable estoppel when the truth has been withheld." *Buffum v. Barceloux Co.*, 289 U.S. 227, 235 (1933).